

Message Text

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ACTION ARA-20

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TO SECSTATE WASHDC 7044

C O N F I D E N T I A L LIMA 6812

E.O. 11652: GDS

TAGS: BDIS, EMIN, EIND, PE

SUBJ: CERRO DE PASCO NEGOTIATIONS

REF: LIMA 6725

1. HIGGS OF CERRO DE PASCO INFORMED CHARGE TODAY REGARDING RESULTS LATEST ROUND OF GOP-CERRO NEGOTIATIONS. SINCE WALSH HAS BEEN STRANDED IN SANTIAGO, HIGGS MET ALONE YESTERDAY WITH GENERAL MIRO QUESADA. MIRO QUESADA PRODUCED LIST OF SIX POINTS AS BASIS FOR NEGOTIATIONS, AND ASKED FOR HIGGS' REACTION. MIRO QUESADA AND HIGGS AGREED TO RESUME DISCUSSIONS ON BASIS THESE SIX POINTS ON SEPTEMBER 27.

2. MIRO QUESADA DESCRIBED GOP DOCUMENT AS RESPONSE TO CERRO PROPOSALS OF JANUARY AND JULY OF 1972. FIRST AND SECOND POINTS ARE THAT GOP DEFINITELY (INDEFECTIBLEMENTE) WILL TAKE OVER CERRO PROPERTY. GOP WILL TAKE POSSESSION OF CERRO PROPERTY, AND CONTROL AND MANAGEMENT OF MINING AND ANCILLARY INSTALLATIONS AS SOON AS POSSIBLE, AND FROM THE DATE OF TRANSFER WILL BEGIN CALCULATING THE FIRM'S ASSETS AND LIABILITIES. HIGGS SAID HIS RESPONSE WAS THAT CERRO CANNOT AGREE, AND THAT TRANSFER

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OF PROPERTY SHOULD BE AFTER FINAL SIGNATURE OF AGREEMENT

AND NOT BEFORE.

3. REMAINING FOUR POINTS OF GOP DOCUMENT DEAL WITH PRICE TO BE PAID FOR CERRO ASSETS. MIRO QUESADA REPORTEDLY SAID THAT CERRO PROPERTIES WOULD BE APPRAISED UNDER TERMS OF DECREE LAW 18880 OF JUNE 8, 1971 AND ASKED FOR HIGGS' COMMENTS ON PROVISIONS OF THAT DECREE. HIGGS SAID HE RESPONDED THAT CERRO BELIEVES THIS DECREE LAW WAS WRITTEN SPECIFICALLY FOR CERRO CASE AND IT IS UNACCEPTABLE AS BASIS FOR APPRAISAL. HE SAID THAT EITHER GOING CONCERN OR BOOK VALUE ROUTE WOULD BE ALL RIGHT FOR PURPOSES OF ARRIVING AT APPRAISAL AS AGREED TO BY BOTH SIDES. GOP DOCUMENT SAID THAT VALUE FOR CERRO PROPERTY MUST TAKE INTO ACCOUNT (I.E. DEDUCT) ALLEGEDLY REQUIRED OUTLAYS FOR HOUSING, WELFARE, SAFETY MEASURES, AND ENVIRONMENTAL CONTAMINATION. HIGGS SAID HE REPLIED THAT CERRO WILL BE WILLING TO DUSCUSS THESE POINTS BUT ALTOGETHER IN AGREE-
MENT, RATHER THAN AS SEPARATE ISSUES. HE SAID THAT CERRO HAD COMPLIED WITH PROVISIONS OF OLD MINING CODE, AND HE WAS NOT PREPARED TO ACCEPT OUTLAYS RECENTLY MENTIONED BY GOP FOR THE FOREGOING PURPOSES. MIRO QUESADA ALSO STATED THAT CERRO SHOULD TAKE INTO ACCOUNT ALL LIABILITIES, BOTH PAST AND FUTURE, AS ASCERTAINED BY GOP. AS LAST POINT, MIRO QUESADA SAID THAT ALL AGREE-
MENTS REACHED BY CERRO, PARTICULARLY THOSE CONCLUDED SINCE JANUARY 1972, SHALL BE SUBJECT TO REVIEW BY GOP IN ARRIVING AT APPRAISAL OF VALUE OF CERRO PROPERTY. HIGGS SAID THAT TIME IN YESTERDAY'S MEETING WAS RUNNING SHORT FOR DETAILED DISCUSSION, AND THESE POINTS WOULD BE COMMENTED UPON IN THE NEXT ROUND OF NEGOTIATIONS.
BARNEBEY

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